

## Message Text

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ORIGIN NEA-12

INFO OCT-01 ISO-00 L-03 AGR-20 TRSE-00 ABF-01 OMB-01 AID-20

EB-11 SS-20 NSC-10 NSCE-00 SSO-00 PRS-01 NEAE-00 /100 R

DRAFTED BY NEA/INS:DWBORN:HME

APPROVED BY NEA:LBLAINGEN

NEA/INS:DKUX

L/NEA:ATBROWN

AGR:RBOR(PARA 6)

M/FRM/FM:RWHITENER

TREAS:SCANNER(SUBS)

----- 006747

O 012038Z DEC 73 ZFF4

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI NIACT IMMEDIATE

C O N F I D E N T I A L STATE 236135

E.O. 11652: GDS

TAGS: EFIN, IN

SUBJECT: RUPEES: SUBSTANTIVE ISSUES

1. FOLLOWING SUBSTANTIVE ISSUES HAVE EMERGED FROM USG AGENCIES' INTENSIVE REVIEW OF NOVEMBER 23 DRAFT AGREEMENT. WHILE WE DO NOT BELIEVE WE WILL NEED TO AMEND AGREEMENT IN EACH CASE, WE MUST AS MINIMUM BE ABLE TO ALLAY CONCERNS EXPRESSED OR OTHERWISE RESPOND TO POINTS RAISED.

2. MOV. WE HAVE NOT YET BEEN ABLE TO DISCUSS YOUR NEW DELHI 13782 AND 13991 WITH VOLCKER. WORKING LEVEL TREASURY OFFICIALS SKEPTICAL, HOWEVER, THAT A TWO-WAY MOV WILL BE ACCEPTABLE WITHOUT A FLOOR (I.E., AT RUPEES 7.5 EQUIVALENT ONE DOLLAR).

3. SURPLUS PROPERTY SETTLEMENT: TREASURY IS INSISTING THAT RUPEE SETTLEMENT SHOULD NOT BE SIGNED RPT SIGNED WITHOUT SIGNIFICANT PROGRESS TOWARD, IF NOT FINAL CONCLUSION OF SETTLEMENT OF SURPLUS PROPERTY ISSUE.

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CONSEQUENTLY, SOME LANGUAGE TO THIS EFFECT SHOULD BE

RETAINED IN PREAMBLE.

4. INTERNATIONAL TRANSPORTATION: SEVERAL OFFICES, INCLUDING OMB, HAVE EMPHASIZED FACTS THAT 1) RIGHT TO USE RUPEES PAY INTERNATIONAL TRANSPORTATION IS NOW IN PL-480 AGREEMENTS, 2) EXERCISE THIS RIGHT HAS SIGNIFICANT

B. OF P. EFFECT; AND 3) THIS RIGHT IS AN EXTREMELY VALUABLE DOLLAR SAVER FOR ALL USG AGENCIES WITH PROGRAMS IN INDIA. RESEARCH PROGRAMS GENERALLY HAVE NO DOLLAR FUNDS FOR INTERNATIONAL TRAVEL AND ARE ACCORDINGLY DEPENDENT SOLELY ON LOCAL CURRENCY. ACCORDINGLY, THESE OFFICES WISH GREATER DEGREE OF ASSURANCES THAN "ESTABLISHED USES" LANGUAGE WHICH SETTLEMENT NOW PROVIDES. COULD WE INCLUDE REFERENCE TO THIS RIGHT IN AGREEMENT OR AS MINIMUM, HAVE SIDE LETTER OR EMBASSY REPORT ON NEGOTIATING HISTORY OF SETTLEMENT TO MEET THIS CONCERN?

5. TREASURY SEEKS STRONGER LANGUAGE IN PARA 9(C) TO ENSURE WE MAY INCREASE OUR EXPENDITURES TO FULL EXTENT MEET ANY INFLATION. COULD WE AMEND PARA 9(C) PREVIOUSLY AMENDED IN AS FOLLOWS: "...PROVIDED, THAT EACH YEAR FULL ALLOWANCE SHALL BE MADE..." THAT IS, COULD WE REPLACE "REASONABLE" WITH "FULL".

6. AGRICULTURE HAS A NUMBER OF LEGAL ISSUES IT HAS NOT YET ANSWERED BUT EXPECTS TO HAVE RESOLVED BY COB MONDAY HERE: (1) CAN NON-PL-480 RUPEES BE USED UNDER ITS LINE ITEM EXCESS FOREIGN CURRENCY APPROPRIATIONS FOR AGRICULTURAL RESEARCH; (2) CAN DOLLARS RESULTING FROM CONVERSION OF NON-PL-480 RUPEES BE USED FOR MARKET DEVELOPMENT; AND (3) CAN NON-PL-480 RUPEES BE USED UNDER AN OUTSTANDING EXCESS FOREIGN CURRENCY APPROPRIATION FOR MARKET DEVELOPMENT PASSED SEVERAL YEARS AGO WITHOUT A FISCAL YEAR LIMITATION.

7. THERE IS ALSO CONCERN HERE THAT PART III, PARA 11(B) VETO POWER ON USG CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS MAY NOT MERELY RECOGNIZE ESTABLISHED FACT DISCUSSION IN INDIA BUT SET PUBLIC PRECEDENT JEOPARDIZING SUCH CONGRESSIONALLY REQUIRED CONTRIBUTIONS IN US-OWNED EXCESS CURRENCIES IN OTHER COUNTRIES, SUCH AS EGYPT. HITHERTO, WE HAVE NOT AGREED TO ANY FORMAL GOI VETO POWER OVER ANY USE OF OUR RUPEES. SIMILARLY, WE HAVE NO SUCH FORMAL LIMITATION BY ANY GOVERNMENT ON USE US EXCESS CURRENCIES TO MEET US OBLIGATIONS OF THIS KIND. WE RECOGNIZE IT DIFFICULT OBTAIN INDIAN AGREEMENT STRIKE THIS PARAGRAPH BUT SUGGEST THAT

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CONSULTATION PROVISION (PARA 9(B), PART II) ADEQUATELY  
CONTINUES EXISTING PRACTICE OF PRIOR CONSULTATION. PORTER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
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